

ORIGINAL

NEW APPLICATION



0000136742

BEFORE THE ARIZONA CORPORATION

COMMISSIONERS

GARY PIERCE- CHAIRMAN
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

RECEIVED

2012 MAY 16 A 11:37

Arizona Corporation Commission

DOCKETED

MAY 16 2012

CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

nr

IN THE MATTER OF THE APPLICATION OF
SECURUS TECHNOLOGIES, INC. TO
ENCUMBER ASSETS IN CONNECTION WITH
LONG TERM DEBT ISSUANCE AND
FINANCING ARRANGEMENTS

DOCKET NO. T-03479A-12-0179

APPLICATION

Securus Technologies, Inc. ("STI")¹, by undersigned counsel and pursuant to A.R.S. 40-285.A, hereby respectfully requests approval of the Arizona Corporation Commission ("Commission") for STI to pledge or otherwise encumber its Arizona assets in connection with certain amendments to debt financing arrangements, for which the assets were already pledged.² As more fully described below, STI now seeks authority to pledge or otherwise encumber its Arizona assets in connection with an amendment to the previous financing arrangements, which would increase the aggregate principal amount thereof from up to \$375.0 million to up to \$455.0 million.³

In support of this Application, STI states as follows:

I. THE PETITIONER.

STI is a Delaware corporation with its principal place of business at 14651 Dallas Parkway, 6th Floor, Dallas, Texas 75254. STI is a privately-held and wholly-owned subsidiary of Securus Technologies Holdings, Inc. ("STHI"), a Delaware corporation and wholly-owned indirect

¹ STI is the former Evercom Systems, Inc., which informed the Commission of the change of its name on November 12, 2010.

² The Commission approved the previous pledge of assets in Decision No. 72438 (June 27, 2011).

³ STI will only be a borrower, not a guarantor, but will pledge its assets.

1 subsidiary of Securus Holdings, Inc. ("SHI"). The ultimate controlling interests in SHI are held by
2 Castle Harlan Partners V, L.P. ("Castle Partners"), which is an affiliate of Castle Harlan, Inc., a
3 New York-based private equity firm. STI is authorized to provide inmate telephone services in the
4 State of Arizona pursuant to Decision No. 60924. Pursuant to that authorization, STI is currently
5 providing telecommunications services to a number of confinement and correctional facilities in
6 the State of Arizona.

7 **II. REQUEST FOR APPROVAL.**

8 **1. Background** – In Decision No. 72458, the Commission, in connection with the
9 indirect transfer of control of SHI, the ultimate parent of STI, to Castle Partners, approved STI's
10 pledge of assets in connection with certain financing arrangements to be used for that acquisition
11 and the subsequent operations of STI. Specifically, the financing arrangements included a six-year
12 first lien term credit facility, a seven-year second lien term credit facility, a five-year revolving
13 credit facility and a related incremental facility in the aggregate principal amount of up to \$375.0
14 million from a syndicate of financial institutions arranged by BNP Paribas Securities Corp.
15 ("BNP"). This arrangement replaced all then-existing financing arrangements related to SHI and
16 STI. Pursuant to the financing arrangements, SHI and one or more of its affiliates guaranteed the
17 obligations of STI under such financing arrangements and pledged their assets and equity as
18 collateral, provided that STI was a borrower, but not a guarantor under the arrangements. BNP,
19 for the benefit of the financial institution syndicate, was granted a security interest in substantially
20 all of the tangible and intangible assets of STI and the guarantors, including the outstanding equity
21 interests of STI and STI's assets used to provide inmate telephone services in the State of
22 Arizona.

23 **2. Current Transaction For Which Approval Is Sought** - STI seeks approval to
24 pledge its Arizona assets in connection with an amendment to the existing financing arrangements
25 that would increase the aggregate principal amount of permitted borrowing to up to \$455.0
26 million. There will be no other material changes to the previously deemed-approved credit
27 facilities. STI will remain as a borrower, but not a guarantor thereunder. STI's assets used to

1 provide inmate telephone services in Arizona will continue to be subject to the previously deemed-
2 approved security interest.

3 STI expects that the proposed additional borrowing authority will be used to (a) support the
4 ability of STI to expand its service offerings in the State of Arizona; (b) fund a partial redemption
5 or repurchase of Connect's outstanding preferred stock;⁴ (c) increase the ability of STI to provide
6 high quality, competitively priced video visitation services to correctional facilities throughout the
7 State of Arizona and the U.S.; (d) fund potential acquisitions; and (e) provide STI with the
8 financial resources necessary to compete more effectively with other service providers in the State
9 of Arizona.

10 **III. PUBLIC INTEREST CONSIDERATIONS.**

11 STI respectfully submits that the transactions described in this Application will serve the
12 public interest and will not adversely affect the operation of STI. In particular, STI submits that
13 the proposed transactions will (1) help increase competition in the Arizona telecommunications
14 market by reinforcing STI's status as a viable competitor; (2) allow STI to continue to expand its
15 service offerings, including in Arizona; and (3) increase STI's ability to provide high quality,
16 competitively priced video visitation services to correctional facilities throughout the State of
17 Arizona and the U.S.

18 The financing transactions described above will allow the company to continue to compete
19 effectively as a leading provider of payphone and inmate-only payphone services. The additional
20 financial flexibility will also allow STI to continue to execute the company's business plan and
21 offer alternative high quality, competitively priced services to a substantial number of potential
22 customers in its operating areas.

23 The proposed transactions do not create any new owners of STI and will not affect the day-
24 to-day management of STI or the services that STI provides, and will also not result in an
25 interruption or disruption of service. Because the transactions are financial in nature and will not

26
27 ⁴ Such partial redemption or repurchase will be pro rata and will not affect control of Connect or
any of its subsidiaries.

1 affect the rates, terms and conditions under which STI operates, the financing transactions will be
2 entirely transparent to customers of STI in terms of the services those customers receive.


3 The financing arrangements described above are necessary and appropriate and are
4 consistent with STI's performance of its services to the public. By increasing the breadth and
5 scope of STI's services, the financing transaction will ultimately inure to the benefit of Arizona
6 consumers. As such, the proposed financing transactions are in the public interest.

7 **IV. CONCLUSION.**

8 WHEREFORE, for the reasons stated herein, STI submits that the public interest,
9 convenience, and necessity will be furthered by Commission approval of its Application to enable
10 STI to participate in the amended financing arrangements described herein.

11 RESPECTFULLY SUBMITTED this 16th day of May 2012.

12 ROSHKA DEWULF & PATTEN, PLC

13
14 By 
15 Michael W. Patten
16 One Arizona Center
17 400 East Van Buren Street, Suite 800
18 Phoenix, Arizona 85004

19 and

20 Paul C. Besozzi
21 Patton Boggs LLP
22 2550 M Street, N.W.
23 Washington, D.C. 20037
(202) 457-5292 (Telephone)
(202) 457-6315 (Facsimile)
Email Address: pbsozzi@pattonboggs.com

24 Of Counsel

25 Attorneys for Securus Technologies, Inc.
26
27

1 Original and 13 copies of the foregoing
2 filed this 16th day of May 2012 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 Copy of the foregoing hand-delivered/mailed
8 this 16th day of May 2012 to:

9 Lyn Farmer, Esq.
10 Chief Administrative Law Judge
11 Hearing Division
12 Arizona Corporation Commission
13 1200 West Washington
14 Phoenix, Arizona 85007

15 Janice M. Alward, Esq.
16 Chief Counsel, Legal Division
17 Arizona Corporation Commission
18 1200 West Washington
19 Phoenix, Arizona 85007

20 Steve Olea
21 Director, Utilities Division
22 Arizona Corporation Commission
23 1200 West Washington
24 Phoenix, Arizona 85007

25
26 By 
27